

EX PARTE OR LATE FILED
HOGAN & HARTSON

L.L.P.
COLUMBIA SQUARE
555 THIRTEENTH STREET NW
WASHINGTON DC 20004-1109
(202) 637-5600

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February 9, 1994

BY HAND DELIVERY

Mr. William Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, DC 20554

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FEB - 9 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Ex Parte Presentation
Coalition of Small System Operators
MM Docket No. 92-266

Dear Mr. Caton:

On behalf of the Coalition of Small System Operators, this is to report that Michael R. Haislip of Star Cable Associates, Anthony Kern and Denise E. Surber of Arthur Andersen Economic Consultants and I met yesterday with James W. Olson, Andrea Williams and Jonathan Levy regarding the urgency of relief from rate regulation for small cable system operators. Specifically, we responded to questions from the staff regarding the cost per mile of building cable distribution plant, headend costs and programming costs. We did not submit this letter yesterday because our meeting began at 3:00 p.m. and we did not have time to prepare the letter before the Commission closed at 5:30 p.m.

At the meeting, Mr. Haislip provided information on construction costs for nine cable television systems that Star Cable Associates constructed in Ohio in 1991 and 1992. A copy of the analysis for these systems is attached as Attachment 1 hereto. Mr. Kern discussed construction costs for several cable systems in different areas of the country that were built in 1991 and 1992. Based on the examples provided and their experience, Mr. Haislip and Mr. Kern concluded that the costs for constructing a mile of cable plant did not vary substantially between very low density rural systems, small town systems with relatively low density and suburban systems with average to above-average density. The importance of providing relief for low density systems was also discussed in light of the small difference in construction and headend costs for

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Mr. William Caton
February 9, 1994
Page 2

low density versus high density systems and the much more limited revenue opportunities available to the low density systems.

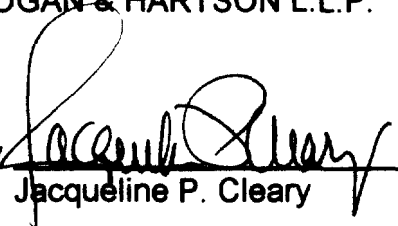
Programming discounts were also discussed in the context of the pressing need for small system relief. That the most substantial discounts are only available to the very largest MSOs (with more than a million subscribers) was cited in support for small system relief. Mr. Haislip provided an example to illustrate the magnitude of discounts available to the very largest cable operators. Last year, a very large operator (with more than one million subscribers) was considering acquiring Star Cable Associates. As part of the acquisition analysis, the difference in programming costs was compared based on Star's acquisition of programming for its 60,000 subscribers versus the cost of the same programming if Star were affiliated with an MSO with more than a million subscribers. Star would have saved approximately \$1 million of its \$5 million programming expenditure. Star's total expenses for that year were approximately \$13 million. Mr. Haislip also explained that, although some programming discounts are available to smaller operators through purchasing cooperatives, some programmers will not deal with purchasing cooperatives.

The information provided at yesterday's meeting supported the filings of the Coalition, which urge the use of a net income analysis for systems with less than 1,000 subscribers in a given franchise area and the adoption of a density factor that would be used to raise the benchmark rates of systems serving areas with less than the average density, as measured in subscribers per mile.

Respectfully submitted,

HOGAN & HARTSON L.L.P.

By



Jacqueline P. Cleary

Attorneys for the Coalition of Small System
Operators

cc: James W. Olson (by hand delivery, w/enclosures)
Jonathan Levy (by hand delivery, w/enclosures)
Andrea Williams (by hand delivery, w/enclosures)

Date 01/25/94
12-93-3932

STAR CABLE ASSOCIATES
Balance Sheet
As of 12/31/93

Page 1
Rept 6305

ATTACHMENT 1

Star Cable Associates, OH

ASSETS
CURRENT ASSETS

	CASH		
08	Bank One	\$	70,216
08	PNB - Ohio		(762)
08	Petty Cash - Ohio		275
			<hr/>
	CASH	\$	69,730
	SUBSCRIBER RECEIVABLES		
08	Accounts Receivable	\$	205,794
08	Allowance/Doubtful Accounts		(3,179)
08	Unapplied Cash		(53,577)
			<hr/>
	SUBSCRIBER RECEIVABLES	\$	149,038
	OTHER RECEIVABLES		
08	INTERCOMPANY ELIMINATIONS	\$	(13,587,922)
			<hr/>
	OTHER RECEIVABLES	\$	(13,587,922)
	PREPAID EXPENSES		
08	PPD - Dues & Subscriptions	\$	2,933
08	PPD - Equip Maintenance		627
08	PPD - Headend Rent		20,851
08	PPD Insurance - General		2,448
08	PPD Insurance - Vehicle		2,857
08	PPD Pole Rent - Ohio Power		2,719
08	PPD Pole Rent - Ohio Bell		1,442
08	PPD - Office Rent		2,100
08	PPD Satellite - WGN		446
08	PPD Satellite - WTBS		2,798
08	PPD - Surety Bonds		2,299
			<hr/>
	PREPAID EXPENSES	\$	41,519
			<hr/>
	TOTAL CURRENT ASSETS	\$	(13,327,635)
	CONSTRUCTION MATERIAL		
08	Inventory - Cable System	\$	96,713
08	Inventory - Installation Mat		16,601
08	Inventory - Converters		16,032
08	Inventory - Headend Equip		10,597
			<hr/>
	CONSTRUCTION MATERIAL	\$	139,943
	PROPERTY, PLANT & EQUIPMENT - NET		
08	Capital - Non Deductable	\$	1,150
08	Buildings		30,524
08	Cable System		10,603,215

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STAR CABLE ASSOCIATES
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Page 2
Rept 6305

Star Cable Associates. OH

08	Capitalized Installation Labor	696,979
08	Capitalized Sales & Marketing	402,944
08	Capitalized Engineering	801,228
08	Capitalized Internal Costs	120,059
08	Computer Hardware	29,876
08	Furniture & Fixtures	50,804
08	Headend Equipment	1,147,840
08	Installation Materials	326,990
08	Leasehold Improvements	8,992
08	Headend - Other	53,352
08	Small Tools & Test Equip	92,814
08	Converters	276,706
08	Radio Equipment	18,909
08	Purchased Assets - Middlefield	23,403
08	Vehicles	248,994
08	Purchased Assets - Rustic Pine	46,016
08	Purchased Assets - Laurel OH	739,600
08	Purchased Assets - Manula	16,150
08	Purchased Assets - Best OH	12,000
08	Accumulated Depreciation	(5,724,199)
